

Message Text

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ACTION AGR-08

INFO OCT-01 EUR-12 EA-07 ISO-00 EB-07 COME-00 /035 W

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R 040633Z AUG 76

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 8677

INFO AMEMBASSY MOSCOW

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STATE PASS AGRICULTURE FOR MEEKER AND ANDERSON

E. O 11652: N/A

TAGS: EAGR, ETRD, AS

SUBJ: MEAT BOARD CONFIRMS USSR BEEF SALE.

1. THE AUSTRALIAN MEAT BOARD CONFIRMED LATE YESTERDAY THAT IT HAD CONCLUDED A 12,000 MT BEEF SALE TO THE SOVIETS. THE ORDER IS FOR BOOGLESS BEEF (MANUFACTURING QUALITY) TO BE SHIPPED DURING AUGUST, SEPTEMBER AND OCTOBER. THIS WAS THE FIRST TIME THE SOVIETS PURCHASED BONELESS BEEF FROM AUSTRALIA.

IT WILL TAKE ABOUT 100,000 HEAD OF CATTLE TO FILL THE CONTRACT.

2. TERMS OF THE SALE WERE CONFIDENTIAL, BUT THE 12,000 MT CONTRACT WAS REPORTED TO BE WORTH \$A6.5 MILLION. THIS WOULD WORK BACK TO A FAS PRICE TO EXPORTERS OF ABOUT 24.25 A CENTS A POUND. THE CURRENT FAS PRICE FOR BONELESS BEEF TO THE U.S. IS ABOUT 41 A CENTS PER POUND. EXPORTERS WILL BE ELIGIBLE TO EARN DIVERSIFICATION CREDITS (FROZEN CREDITS) WHICH ARE CURRENTLY WORTH ABOUT 10 A CENTS A POUND. MANY ARE CONCERNED THAT THE BOARD WILL HAVE DIFFICULTY IN FILLING THIS CONTRACT WITHOUT FWIKDDUK THE GOVERNMENT

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NOTIFIED THE BOARD EARLIER THAT IT WOULD

NOT BE PREPARED TO SUBSIDIZE THE SALE.

3. THE BEEF INDUSTRY HERE WAS NOT HAPPY ABOUT THE PRICE, BUT WERE PLEASED THAT THE CONTRACT WAS FOR BONELESS RATHER THAN CARCASS BEEF AS THERE IS A SURPLUS OF BONING TYPE CATTLE AT THE PRESENT TIME AND AUSTRALIAN PROCESSING AND EXPORTING TECHNIQUES ARE MUCH BETTER SUITED FOR HANDLING BONELESS BEEF. THE TRADE ALSO FEELS THAT SINCE THIS IS A MUCH MORE EFFICIENT METHOD OF HANDLING AND SHIPPING BEEF, IT COULD OPEN THE WAY FOR MORE SALES IN THE FUTURE.

4. COMMENT: ALTHOUGH THE CONTRACT PRICE WAS VERY LOW AND THERE WILL LIKELY BE SHARP POLITICAL REACTION IF THERE ARE ANY LOSSES ON THE SALE, MCARTHUR FELT THAT THE SALE WAS URGENT IN ORDER TO HELP CLEAR OUT THE HUGE STOCKPILE OF UNSOLD MEAT WHICH HAS BEEN PILING UP BECAUSE OF THE HEAVY, DROUGHT-INDUCED SLAUGHTER. ON JULY 28, EXPORTERS WERE REPORTED TO BE HOLDING 130,000 MT OF BEEF. SALES DROPPED SHARPLY FOLLOWING THE ANNOUNCEMENT OF MINIMUM EXPORT PRICES TO CANADA AND SWEDEN. UNCERTAINTY ABOUT SHIPMENTS THROUGH THE FREE-TRADE ZONES IN PUERTO RICO HAS BEEN ANOTHER FACTOR. ALSO, SOME EXPORTERS ARE SHORT ON DIVERSIFICATION CREDITS FOR THE U.S. MARKET AND HAVE BEEN RELUCTANT TO PAY THE GOING PRICE FOR UNFORZEN CREDITS OF ABOUT 20 TO 25 A CENTS A POUND. EXPORTERS ARE WAITING FOR THE BOARD TO FREE SOME MORE OF THE FROZEN CREDITS.
HARGROVE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SALES, MEATS
Control Number: n/a
Copy: SINGLE
Draft Date: 04 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MartinML
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976CANBER05623
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760300-0395
From: CANBERRA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760889/aaaaczye.tel
Line Count: 96
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AGR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MartinML
Review Comment: n/a
Review Content Flags:
Review Date: 07 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 MAY 2004 by ElyME>; APPROVED <01 SEP 2004 by MartinML>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MEAT BOARD CONFIRMS USSR BEEF SALE.
TAGS: EAGR, ETRD, AS, UR
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006